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FM AMEMBASSY KHARTOUM  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4320  
INFO RUCNIAD/IGAD COLLECTIVE  
RUEHGG/UN SECURITY COUNCIL COLLECTIVE  
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UNCLAS SECTION 01 OF 02 KHARTOUM 000983

NSC FOR MGAVIN, LETIM  
DEPT PLS PASS USAID FOR AFR/SUDAN  
ADDIS ABABA ALSO FOR USAU

SENSITIVE  
SIPDIS  
E.O. 12958: N/A  
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SOCI, AU-1, UNSC, SU

SUBJECT: GOSS FINANCE MINISTER OUTLINES PLANS, NEEDS FOR ASSISTANCE  
TO SE GRATION

11. (SBU) SUMMARY: In a meeting with Special Envoy Scott Gration, the Government of Southern Sudan's (GOSS) Minister of Finance and Economic Planning, David Deng Athorbei expressed serious concerns regarding Southern Sudan's immediate financial challenges. Painting a grim picture of the South's ongoing fiscal crisis, Athorbei said that the GOSS needs a \$500 million infusion of cash in both 2010 and 2011 to cover its costs. Athorbei expressed particular frustration with the South's nearly depleted reserves of foreign exchange, and he requested U.S. intervention in support of the Southern position. Athorbei was confident that Southern Sudan's financial situation will rebound should it secede in 2011. END SUMMARY.

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HIT HARD BY ECONOMIC CRISIS, FOREIGN CURRENCY NEARLY DEPLETED  
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12. (SBU) Athorbei told Gration that the global economic crisis and the GOSS's failure to set aside reserves had "crushed" Southern Sudan, saddling it with an unsustainable deficit in operating costs. The GOSS is responding in the short term, he said, by freezing contracts, reducing spending, and cleansing public payrolls, as well as undertaking other reforms agreed in the GOSS's compact with donors. Athorbei told Gration that Khartoum has been trying to undermine the South's efforts by cutting off its access to hard currency and fomenting insecurity.

13. (SBU) The Bank of Southern Sudan's current reserves of hard currency will last only through the end of October, Athorbei said. The Central Bank of Sudan is violating the CPA, he claimed, by refusing to provide the South's oil revenues in hard currency. The National Congress Party, he said, has a "policy to starve us of cash." The lack of hard currency is already preventing the South from obtaining the bank guarantees needed for investment. Athorbei rejected the idea that the Bank is obliged to provide foreign exchange only for specific purchases, insisting that the South needs to control its own money.

14. (SBU) Gration noted that the National Congress Party (NCP) and the Sudan People's Liberation Movement (SPLM) had agreed to invite the IMF to review the implementation of the CPA's central banking system. Athorbei asked him to raise the issue with NCP in the trilateral talks. (COMMENT: Different GOSS and SPLM officials have communicated different positions to USG representatives on the South's entitlement to the hard currency flowing from Sudan's oil sales. This was the first time that an official has told the USG a specific date by which the South's hard currency reserves would be depleted. )

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THINKING OF THE FUTURE, BUT DESPERATE FOR CASH IN THE SHORT TERM  
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15. (SBU) Athorbei also outlined his thinking on a longer-term approach to promoting southern economic growth. His first target is to ensure food security by promoting increased cultivation of cereals and rice for sustenance as well as export and creating the requisite supporting infrastructure. He reported several recent trade missions to and from Southern Sudan. Athorbei also noted that he was taking steps to strengthen government systems, including ending his predecessor's practice of allowing businessmen to line the halls of the ministry to queue for contracts.

16. (SBU) Asked about his top priority for assistance from the United States, Athorbei responded that he needed \$500 million in cash, in both 2010 and 2011, to cover the government's operating costs. "Short of that," he said, "we will crash." Athorbei was sanguine, however, about the South's finances in the years after 2011. He told Gration that secession, if it occurred, would allow the South access to 100 percent of the revenue from southern oil and would give it the opportunity to sell concessions in additional oil production blocks. Continued wealth-sharing with the north would not be politically possible after 2011, Athorbei argued. Only John Garang could have persuaded the South to continue sharing its wealth in the interest of facilitating "a clean divorce." (COMMENT: Athorbei's confidence in the South's ability to immediately close the financial gap after the referendum seems unjustified, given the contentious debate over pipeline access that would undoubtedly follow secession.)

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SKEPTICISM ON NORTHERN INTENTIONS, CONFIDENCE IN U.S. SUPPORT  
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17. (SBU) Raising the subject of U.S. sanctions, Athorbei expressed

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doubt that Khartoum would "do anything good" if sanctions were lifted, though he added that there should be a "right way" to make sanctions smarter. He acknowledged that some in the South had been made "jealous" by the perception of Washington's engagement with Khartoum. Athorbei said that there remains a feeling on the street, however, that the North will not mistreat the South again because the U.S. will come to its aid. Athorbei added that he is confident that the U.S. would not enter any agreement with the North that would hurt the South.

18. (SBU) COMMENT: Athorbei's assessment of the South's financial straits was grim, and his request for assistance stunning. The size of the request is a powerful statement that Athorbei does not believe the GOSS has brought its fiscal crisis under control, even with the austerity measures agreed in the recent compact with donors. Other GOSS officials were keenly aware that Gration was meeting with Athorbei, but it was not immediately clear whether his request - delivered off-the-cuff and in response to a question - had been coordinated throughout the GOSS. END COMMENT.

WHITEHEAD